

In Honduras: A Strong Preference for U.S. Products

The signing of DR-CAFTA (the U.S.-Dominican Republic-Central America Free Trade Agreement) opens new market possibilities for U.S. exporters in Honduras and the other signatory countries (Costa Rica, Guatemala, El Salvador, Nicaragua and the Dominican Republic).

Once the agreement is ratified, more than half of current U.S. farm exports to Central America will become duty-free immediately, including high-quality beef cuts, cotton, wheat, soybeans, some fruits and vegetables, processed foods and wines. Tariffs on most other U.S. farm and food products will be phased out within 15 years. U.S. products that will benefit from improved market access include pork, beef, poultry, rice, fruits and vegetables, corn, processed items and dairy products.

Preference for U.S. Products

Still recovering from the devastating effects of Hurricane Mitch in 1998, Honduras nevertheless offers opportunities for U.S. foods. While most consumers do not have a lot of money to spend on imported foods, those who do view U.S. products as being of high quality.

Importers prefer trading with U.S. exporters because of their reliability. Improved storage and distribution facilities permit the year-round availability of U.S. fruits such as apples, pears and grapes.

Hondurans were first introduced to U.S. products beginning in the nineteenth century, through U.S. companies doing business in their country. Company employees brought their tastes with them,



20172

consequently making them familiar to the Honduran people.

In recent times, U.S. tastes have come to Honduras through the 600,000 Hondurans who live and work in the United States. Their income generates foreign exchange remittances to Honduran households of about \$860 million annually. Moreover, many Hondurans return home every year to share their summer and Christmas holidays with their families.

U.S.-Honduran ties are further strengthened by international assistance, exchange programs, numerous U.S. business visitors and tourists, as well as U.S. citizens residing in the Central American country. Young Hondurans identify themselves with U.S. music and fashions. Through all these bonds, many

Hondurans have adopted much of U.S. culture. Some companies are combining Honduran and U.S. foods as a marketing tool.

Since 1999, the number of tourists coming to Honduras has increased by some 84 percent. The government is encouraging tourism particularly in the Bay Islands and on the beaches and reefs of the country's northern coast. The goal is to attract 1 million tourists a year. The country is also developing the Mayan Route of archaeological and nature sites to encourage ecotourism.

Food Service and Retail Markets

The growing restaurant and hotel industry presents U.S. suppliers with remarkable potential for processed food products and raw materials. U.S. franchises

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sprouting up in the country's main cities need raw materials, and domestic products cannot always fulfill their needs.

There is also tremendous opportunity for U.S. food producers to invest in the emerging Honduran food processing industry. This sector is struggling to modernize and presents an ideal opportunity for joint ventures that offer easy access to countries throughout Central America, which are hungry for finished goods.

Products with the best prospects in the Honduran market include meats, poultry meats, cheeses, processed fruits and vegetables, fresh fruits, fruit and vegetable juices, wines, beer, pet foods, snack foods, tree nuts, eggs, nursery products and cut flowers, salmon, surimi, ground fish and mollusks.

But the retail food sector is by far Honduras' largest market for imported foods. Consumers shop at open-air markets, U.S.-style supermarkets, specialty



35289

shops, convenience stores and mom-'n'-pop stores. Virtually all supermarket chains are expanding, and they are devoting increasing shelf space to U.S. products.

Promoting products during holidays is particularly effective. Easter, besides being a religious holiday, is also summer vacation for the vast majority of Hondurans, a time when they are amenable to trying new products. During Christmas, gift baskets are becoming popular. Increasingly, these baskets contain U.S. products. In June and December of every year, the

government and private sector provide bonuses to their employees. Many families make special food purchases or buy higher quality products at this time.

The Personal Relationship

As in most Latin American countries, a good personal relationship with a prospective customer is crucial to successfully penetrating the market. While it may take a little longer than is customary in the United States to establish a business relationship, the investment can pay off in long-lasting and mutually profitable alliances.

U.S. suppliers should be prepared to have either local representatives or distributors who travel to Honduras. Expect importers to take responsibility for clearing customs, merchandising, marketing and, in some cases, transporting products to retailers.

The two main business centers in Honduras are Tegucigalpa, the capital, and San Pedro Sula, the industrial center. Large importers and distributors usually have offices in both cities. ■

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1055

For details, see FAS Reports HO3006 and HO3007. To find them on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

